"The root cause of poverty lies in the neglect of the countryside of South Asia and that is where remedies must begin. It is in the agricultural sector that the battle for long term economic development will be won or lost."

- Gunar Myrdal

LEGACY OF CENTRAL PLANNING IN INDIA
A country's economic growth is defined as a long term steady rise in its capacity to supply increasingly diverse economic and social goods to its population. From this point of view, the world we live in, presents a picture of appalling contrasts: world of rich and world of poor. Poverty and affluence coexist. Affluence contrasts sharply with intolerably low income levels in a shrinking world. While a few countries are immensely prosperous nearly two-thirds of the population of the world subsists on sub-standard income. Illiteracy, lack of medical care, malnutrition and bad housing are prevalent throughout most of Asia, Africa, Middle East and Latin America. These underdeveloped countries contain about three quarters of the world population. These countries have fallen behind in the race of for higher incomes. They also happen to be underdeveloped in relation to their potential income levels. These facts needs insightful probing. Only an extraordinary insensitivity can refrain one from deep concern.

3. Baner PT and B.S. Yamey (1957) The Economics of Underdeveloped countries, Digswell Place, p.3.
The facts are stark enough. Despite the widespread opulence and unprecedentedly high real income per head in the world, millions of people die prematurely and abruptly from intermittent famines and great many million more die every year from endemic under-nourishment and deprivation across the third world countries. While all this is quite obvious, the characterisation, causal antecedents and possible remedies of backwardness in the third world are not very clear. This chapter is concerned with the diagnosis and causal analysis and policy research relating to the stagnation, abject poverty and backwardness among the developing countries of the third world. It focuses on Asian countries and more particularly on India. It puts a searching look into the plan strategies and present a brief account of its achievements and weaknesses. Finally it makes out a case for a change in the planning strategy for rural development and eradication of rural poverty.

3.1 GLOBAL PROFILE OF STAGNANCY IN THIRD WORLD:

International comparisons of income are very difficult due to the necessity of reducing multi-dimensional aspect of development to a single dimensional figure. Income comparisons are also frequently vitiates more by mundane considerations, such as differences in measurement procedure. The per capita income statistics lacks many important
dimensions. What leads poignancy to the situation in which the underdeveloped countries find themselves is not merely their poverty, but also its uneven distribution among their citizens. The real face of poverty in these countries is more striking and miserable than the per capita income indicates. Stark inequalities hit the eye forcefully in these countries.

Growth rates of per capita income was the highest for Japan during the period 1878-1907 (Table 3.1). The take-off stage of development has been attained by advanced industrialised countries long back. Technical maturity, as estimated by Rostow, is first achieved by U.K. in 1850 followed by USA in 1900 and Germany in 1910. U.K is 150 years ahead and USA is 100 years ahead of India in terms of attaining technological maturity.

Table - 3.1 : Growth rates of per capita income.

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Annual rate of increase in PCI</th>
<th>Take-off period</th>
<th>Technical Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1951-1985</td>
<td>1.5</td>
<td>1952-</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>1978-1907</td>
<td>3.4</td>
<td>1878-1900</td>
<td>1940</td>
</tr>
<tr>
<td>Germany</td>
<td>1860-1899</td>
<td>2.8</td>
<td>1850-1873</td>
<td>1910</td>
</tr>
<tr>
<td>USA</td>
<td>1869-1908</td>
<td>2.2</td>
<td>1843-1860</td>
<td>1900</td>
</tr>
<tr>
<td>UK</td>
<td>1860-1899</td>
<td>2.5</td>
<td>1783-1802</td>
<td>1850</td>
</tr>
</tbody>
</table>

The backwardness and stagnancy of the third world as can be perceived only by comparing its level of development with that of the industrialised countries of the world. For the sake of precision let us accept USA as the country which represents the first world and India as the country which represents the third world. The per capita GNP of India has increased from the level of $290 to $330, whereas the per capita GNP of US has increased from $17480 to $22240 during the period 1965-91. In most of the developing countries economic growth has not been accompanied by economic development. In order to keeping with its growing population, these countries have produced more goods and services over the years but the basic structure of these economies have remained essentially unaltered.

The developing countries have remained predominantly primary-producing. The contribution of agriculture, industry and service sectors are 32% and 27% respectively to the GDP in India in the year 1991 (the corresponding shares were 47% and 22% in 1965). In USA the contribution of agriculture, industry and service sectors are only 2% and 31% in 1991. The service sector contributes about 32%

Clower calls this phenomenon as growth without development. Because "development" is a more comprehensive term. It implies progressive changes in socio-economic structure of the country. See Robert Clower et al (1966 Growth without development, Evansten. According to Kindlebenger, economic development involves improvement in material welfare, especially for persons with lowest incomes, the eradication of poverty with all its correlates. Development without growth however is inconceivable.
in China while it is 67% in case of USA\(^5\). Value added in manufacturing in current dollars is as low as $6,184 in Pakistan while it is $651,315 in USA in the year 1990.

Percentage of working population has increased from 54% to 56% in India, while it has increased from 65% to 70% in Germany during 1965-80. Percentage of labour force engaged in agriculture, is very high in China i.e. 74%, and percentage of labour force engaged both in industry and services are very low i.e. 14% and 12% respectively in China. But labour force engaged in agriculture of US constitute on 4% while it is 31% and 66% respectively in industry and services of US.\(^6\) Urbanisation in US is 75% (in UK 89%) while it is only 27% in India. Per capita energy consumption is only 243 KQE in Pakistan and 337 KQE in India while it is above 7681 KQE in USA.

Share of food in total household consumption in 1991 is about 52% in India while it is only 10% in US. Share of medical expenses is only 1% in Pakistan, while it is above 14% in US. Share of education in household consumption is only 1% in China, while it is above 8% in US. Central Government spends only about 1%, 4% in India and 1.6% on health and education respectively in Pakistan. But the Central Government of US spends about 14% and

---

5. See Appendix Table A.3.1 p. and A 3.2 p.
6. See Appendix Table A. 3.3 p.
2% respectively on these two heads. Expenditure on social welfare is only 3.4% in Pakistan, 6.9% in India while it is more than 49% in West Germany and 28% in USA. Population per physician is 2460 in India, while it is only 420 in US. Annual drug expenditure per head is only $3 in India, while it is more than $222 in W. Germany and $191 in US. Per capita daily calorie intake in US is 3663 while it is only and 2189 in India. Female illiteracy is above 66% and 79% in India and Pakistan, but it is less than 5% in all Western countries. Average year of schooling of females in only 0.7 and 1.2 respectively in Pakistan and India. But it is about 12.4 in US. Female education index is 27 and 50 respectively for Pakistan and India, while it above 98 for US.

Annual average growth of population is very high in Pakistan (i.e. 3.1%) and very low in W. Germany (i.e. 0.1%) but in US it is 0.9%. Children within 14 years constitute 44% in Pakistan, 36% in India, while it is only 21% in US. Birth rate and Fertility rate is very high in Pakistan (i.e. 41 and 4.7 respectively), while it is as low as 16 and 2.1 respectively in US. Infant mortality rate is very high in Pakistan (i.e. 97), while it is only 9 in US.

7. See Appendix table A 3.4 p.
9. Refer Appendix Table A-3.5 p.
Population of China and India together constitute about 38% of world's population. But health expenditure both in India and China is only 2% of the world's total. But the health expenditure in Established Market Economies (EME) is about 87% of the total health expenditure of the world. Per capita health expenditure is only $11 per annum while it is as high as $1860 in all the EMEs. 38% of the total poor population of the world is found in India alone. Head count index of poverty shows that people below the poverty line constitute about 55% and 48% respectively in India and SS-Africa. There are several forms of malnutrition in third world countries. Malnutrition has both direct and indirect effects. 12.7% world population suffer from protein energy malnutrition while it is 5.6% in India alone. People directly affected by malnutrition constitute 45.7% of the world. But is 15.5% in India and 7% in SS-Africa. Mortality attributable to underweight is 60.4% in the world, out of which 23.6% and 14.9% are found in SS-Africa and India respectively. These statistical informations only depicts the real face of backwardness and stagnation of developing countries.

3.2 ASIAN PROFILE OF UNDERDEVELOPMENT:

Development is defined as the selective attack on underdevelopment. Development goals is defined in terms

10. Refer Appendix Table A.3.6 p.
of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment and inequalities. In the present analysis for the sake of convenience only six Asian countries are selected. The extent of backwardness and under development are analysed under three broad groups of variables as follows:

1. Economic indicators
2. Social indicators

Among the economic characteristics growth of GDP, per capita income, value added in different sectors, sectoral shares of GDP are presented in Table-3.2. Per capita GNP varies from $200 (Bangladesh) to $760 (Phillipines). Percentage Growth of GDP per annum is 6.3 and 5.5 in Pakistan and India respectively. Share of agriculture in GDP has fallen from 45% to 31% in India during 1970-91. But share of industry in GDP has increased from 44% to 76% in China during the same period.

**Table - 3.2: Economic Indicators**

<table>
<thead>
<tr>
<th>Country</th>
<th>Av. growth of GDP % per annum 71-80</th>
<th>P.C. GNP (4) 1990</th>
<th>Av. growth rate of value added p.a Sectoral share of GDP in %</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>71-80</td>
<td>81-90</td>
<td>Agriculture</td>
<td>Industry</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
<td>---------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>India</td>
<td>3.7</td>
<td>5.5</td>
<td>350</td>
<td>2.1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5.2</td>
<td>6.3</td>
<td>380</td>
<td>2.6</td>
</tr>
<tr>
<td>B'desh</td>
<td>5.8</td>
<td>4.1</td>
<td>200</td>
<td>3.4</td>
</tr>
<tr>
<td>Srilanka</td>
<td>4.3</td>
<td>3.9</td>
<td>470</td>
<td>3.2</td>
</tr>
<tr>
<td>P'pines</td>
<td>6.0</td>
<td>1.0</td>
<td>760</td>
<td>3.9</td>
</tr>
<tr>
<td>China</td>
<td>7.9</td>
<td>10.1</td>
<td>370</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Share of rural population ranges, from 58% in Phillipines, 84% in Bangladesh. Adult literacy varies from 31% (Pakistan) to 87% (Srilanka). Mean years of schooling for female is very low in India (i.e. 1.0) while it is more than 12 years in Phillipines. Per capita daily calorie supply has increased from 1931 to 2632 in China during 1965-88, while it has increased from 2103 to 2104 in India (Table 3.3). Dependency burden is very high in Bangladesh (i.e. 88%) and low in China (i.e. 47%). Life expectancy of male varies from 45 (Bangladesh) to 69 (China). Female life expectancy varies from 51 (Bangladesh) to 73 (in Srilanka).

Table 3.3: Social Indicators.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy</td>
<td>Male Female</td>
<td>Male Female</td>
<td>Adult literacy</td>
<td>Mean yrs of schooling</td>
<td>Share of rural population</td>
<td>Mean yrs of schooling</td>
<td>Share of rural population</td>
<td>Mean yrs of schooling</td>
<td>Share of rural population</td>
<td>Mean yrs of schooling</td>
<td>Share of rural population</td>
<td>Mean yrs of schooling</td>
</tr>
<tr>
<td>India</td>
<td>44 58</td>
<td>46 58</td>
<td>81 73</td>
<td>34 44</td>
<td>- -</td>
<td>150 97</td>
<td>2103 2104</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>45 55</td>
<td>47 55</td>
<td>76 68</td>
<td>21 31</td>
<td>3.0 6.0</td>
<td>149 107</td>
<td>1797 2200</td>
<td>94</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B'desh</td>
<td>44 51</td>
<td>51 45</td>
<td>94 84</td>
<td>24 32</td>
<td>3.9 5.9</td>
<td>149 118</td>
<td>1984 1925</td>
<td>88</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Srilanka</td>
<td>64 73</td>
<td>63 68</td>
<td>80 79</td>
<td>77 87</td>
<td>10.5 10.3</td>
<td>63 21</td>
<td>2164 2319</td>
<td>61</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P'pines</td>
<td>57 66</td>
<td>54 62</td>
<td>68 58</td>
<td>60 74</td>
<td>12.4 12.3</td>
<td>72 44</td>
<td>1896 2255</td>
<td>77</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>57 66</td>
<td>53 69</td>
<td>82 47</td>
<td>- -</td>
<td>-9.8 -11.4</td>
<td>90 31</td>
<td>1931 2632</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gross domestic investment constitutes only 12% in Bangladesh, 36% in China and 24% in India. Outstanding external debt in 1993 in million dollars is $80125 for

India and $60,500 for China. Debt-service ratio in India is 26.8% in 1993 while it is only 9% in China. Resource gap in India and Bangladesh are -1.5 and -8.7 respectively. Share of export in the world trade is only 0.55% for India and 1.48% for China (Table 3.4). Average annual growth of export in 1980s is 5.6% for India and 11.50% for China.

Table - 3.4: External Vulnerability.

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross Domestic Investment % of G.D.P.</th>
<th>External Outstanding Debt in 1993</th>
<th>Debt Service ratio as % of GDP</th>
<th>Resource gap as % of GDP</th>
<th>X share of world exports 1990</th>
<th>Av. Ann growth of expt in 1980s %</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>20.5 22.2 24.0 60125</td>
<td>32.0 26.8 - 2.4 -1.5</td>
<td>0.55</td>
<td>5.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>16.4 18.7 20.0 23882</td>
<td>25.3 25.6 - 6.3 -4.5</td>
<td>0.17</td>
<td>8.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B'desh</td>
<td>9.1 11.6 12.0 12882</td>
<td>29.3 21.4 -10.3 -8.7</td>
<td>0.05</td>
<td>7.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Srilanka</td>
<td>19.0 25.1 25.0 7072</td>
<td>20.9 15.1 - 9.5 -7.5</td>
<td>0.05</td>
<td>6.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P'lines</td>
<td>27.8 21.9 22.6 33000</td>
<td>34.6 15.7 -1.3 -8.2</td>
<td>0.24</td>
<td>1.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>33.9 34.3 36.5 60500</td>
<td>8.2 9.0 - 1.6 0.7</td>
<td>1.48</td>
<td>11.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Widespread unemployment exist in most third world countries along with appallingly low level of production. These countries have been fighting hard for some time past on two fronts, viz. production and poverty. In doing so it is discovered that a success in production front does not necessarily imply success on poverty front. The automatic 'trickledown' has remained ineffective since there is unequal access to the opportunities
of producing or obtaining income from incremental GNP.  

3.3 POVERTY IN ASIA:

Poverty is an affront to human dignity. It is a cost to the economy and a serious threat to the polity. It creates vulnerability, dependence and helplessness. It deprives the society of the productive energies of a substantial segment of its population contributing to instability and social unrest. Post colonial realities, for the majority of people in the third world are harsh and brutal. No amount of textualising these realities can conjure them away. Landlords, the poor peasants, the capitalist, and the poor child labour, urban rich and rural poor, sophisticated technology and the man-driven cart exist, hunger and child-selling exist violent death exist as does slow death by malnutrition and starvation. Population of the third world is growing at a rate that promises unprecedented disaster. Growth of population has an alarming prospect, because it threatens to nullify the effect of economic development on the poor people.


Although five decades of development since II world war have failed to eliminate poverty in Asia, there is now greater knowledge of the characteristics and causation of the poverty. Majority of the poor in rural Asia are landless agricultural workers and small farmers with large families, limited human resources and little access to credit. Poverty is more prevalent among rural communities and among ethnic and minority groups. Its origin lies in the interaction of many complex factors. China and India together account for 48% of the population of all developing countries and 73% of the population of Asia. The development strategies of most of the Asian countries have transformed the structures of their economies only moderately, with substantial shifts that did occur being into service sector rather than into the secondary sector. Share of agriculture in GDP of India has declined from 44% to 31% during 1970-91, while the share of industry has increased marginally from 24 to 29% during the said period. Notwithstanding many caveats, the most widely used poverty measure, is the head count index. Poverty in this context refers to the absolute poverty, defined as being a state in which individuals lack the resources to afford a minimum standard of living. Table 3.5 summarises the estimates of those poor and 'extremely poor' in India, China and Asia. These estimates suggest that 66% of the
extremely poor and 72% of the 'poor' of all developing countries are in Asia. Of the extremely poor in Asia 71% are in South Asia and 60% are in India alone. The index indicates that 39% of those living in South Asia are extremely poor, compared with 33% in India. Of the total number of poor in Asia, 65% are in South Asia and 53% are in India alone.

Table - 3.5 : Poverty in Asia, 1985.

<table>
<thead>
<tr>
<th></th>
<th>Extremely Poor</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. in million</td>
<td>HCl(%)</td>
</tr>
<tr>
<td>India</td>
<td>250</td>
<td>33</td>
</tr>
<tr>
<td>China</td>
<td>80</td>
<td>8</td>
</tr>
<tr>
<td>E.Asia</td>
<td>120</td>
<td>9</td>
</tr>
<tr>
<td>S.Asia</td>
<td>300</td>
<td>29</td>
</tr>
<tr>
<td>All developing countries</td>
<td>633</td>
<td>18</td>
</tr>
</tbody>
</table>


It also suggests that 51% of those living in South Asia are poor, compared with 55% in India. Thus about

14. Poor includes extremely poor; Poverty line per capita per year is $275 for Extremely poor and $370 for poor. Head Count Index (HCl) is the % of population below poverty line. Poverty gap is the aggregate income shortfall of the poor as a % of the absolute poverty line income.
2/3rd of those poverty in Asia are in South Asia and over half are in India alone. Estimates using the poverty gap between the poverty line and actual income of the poor suggest that 3% of South Asian income would be required to eliminate extreme poverty while 10% would be required to eliminate poverty as a whole. For India the requirements would be little larger, in relative terms it is 4% and 12% respectively.

Incidence of poverty is more pronounced in rural Asia. Poverty is basically a rural phenomenon, infectiously spreading to the urban informal sector through rural exodus(Table 3.6). Infant Mortality Rate(IMR) is the highest in India and access to safe drinking water is the lowest in Indonesia. The percentage of rural poverty to total poverty varies between 67 to 91 in these countries.

Table - 3.6 : Rural Poverty in Asia in 1990.

<table>
<thead>
<tr>
<th>Asian Countries</th>
<th>Rural poor(%) of total poor</th>
<th>IMR(Rural) per '000'</th>
<th>Rural Access to drinking water</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>79</td>
<td>105</td>
<td>50</td>
</tr>
<tr>
<td>Indonesia</td>
<td>91</td>
<td>74</td>
<td>36</td>
</tr>
<tr>
<td>Malaysia</td>
<td>80</td>
<td>-</td>
<td>76</td>
</tr>
<tr>
<td>Phillipines</td>
<td>67</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Thailand</td>
<td>80</td>
<td>43</td>
<td>66</td>
</tr>
</tbody>
</table>

The important correlation of rural poverty in all Asian countries are: (1) Access to land and irrigation
facilities, (2) Family size and composition, (3) Adoption of modern agricultural technology, (4) Asset-holding, (5) Human resources, (6) Backward region, (7) Minority and ethnic group, (8) Access to credit and (9) Female labour participation.

3.4 DEPENDENT PARADIGM:

Under development is seen as the flip-side of the coin of development. The relations of dependence to which the third world countries are subjected, conform to a type of international and internal structure which leads them to underdevelopment. It has resulted in a dependent structure that deepens and aggravates their fundamental problems. It refers to the process whereby a country, characterised by subsistence agriculture and domestic production, progressively becomes integrated as a dependent into the world market through patterns of trade and investment. The production of that country thus becomes geared primarily to the demands of the world market. By analysing the process of integration of 'national economies' with the world economy (in the world market of capital, commodities and even labour) one perceives a relation produced by the world market that is unequal and combined. It is unequal because the development of the parts of the system occurs at the expense of other parts. It is combined because it is the combination of these
inequalities and the transfer of resources from most backward and dependent sectors to the most advanced and dominant one, which explains and deepens the inequality and transforms it into a necessary and structural element of the world economy.

One may distinguish between three types of dependence (a) Colonial dependence, (b) Financial industrial dependence, and (c) Technological industrial dependence. All these forms of dependence corresponds to a situation which conditioned not only the international relations of these countries but also their internal structures, the forms of capital accumulation, the orientation of production, the reproduction of the economy and simultaneously their social and political structure. The concept of development in most developing countries is strongly conditioned by their colonial past. But the new form of dependence is conditioned by the exigencies of international commodity and capital markets. The possibility of generating new investments depend on the existence of financial resources in foreign currency for the purchase of machinery and processed raw materials not produced domestically. The relation of dependence sets fundamental

structural limits on the development of developing countries. The industrial development is dependent on the export sector for foreign currency to buy the inputs utilised by the industrial sector. Industrial sector is highly vulnerable to the fluctuations in the balance of payments. Above all industrial development is strongly conditioned by the technological monopoly exercised by imperialist centres. Third world countries heavily depend on the importation of machinery and raw materials. But these goods are not freely available in the international market; they are patented and generally belong to the big monopoly companies. These companies do not sell machinery and processed raw materials as simple merchandise; They demand either the payment of royalties etc., for their utilisation or in most cases, they convert these goods into capital and introduce them in the form of their own investment.

Thus the third world countries develop within the framework of a process of dependent production and reproduction. The system is dependent because it reproduces a productive system whose development is limited by those world relations which necessarily lead to the development of only certain economic sectors, to trade, to domestic competition under unequal conditions.16 The development

of dependent capitalism reproduces the factors that prevent it from attaining an optimal situation. It thus reproduces backwardness, misery and social marginalisation within the developing countries of the third world.\textsuperscript{17}

3.5 DEVELOPMENT STRATEGIES:

The conventional wisdom has been discredited, as the theories which were expected to guide dramatic improvements in the lot of the world's poor have proved ineffective and even counter productive. The success stories of the several developing countries have turned out, over a long period of time and under more stringent analysis, to be less than successful in human terms. The economy of third world countries have remained inherently fragile and vulnerable in several important respects. It has become increasingly clear that the development strategies of 1950s and 1960s have not led to significant improvements in the welfare of the masses in the majority of developing countries. In some cases relatively impressive growth performances have been accompanied by increased unemployment and poverty.\textsuperscript{18}

\begin{itemize}
  \item \textsuperscript{17} Baran Paul (1987), \textit{Political Economy of Growth}, Monthly Review Press.
  \item \textsuperscript{18} Adelman I and C.T. Morris (1973), \textit{Economic Growth and Social Equity in Developing Countries}, California Univ. Press.
\end{itemize}
The conventional development strategies adopted by developing countries can be classified on the basis of differences in their objectives and policy emphases as follows:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Objectives</th>
<th>Target</th>
<th>Sectoral emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Growth oriented</td>
<td>Maximisation of growth of GNP</td>
<td>Rise in capital formation</td>
<td>Modern Sector</td>
</tr>
<tr>
<td>2. Employment Oriented</td>
<td>Maximisation of wage and self employment.</td>
<td>Rise in Modern and productive traditional (rural) employment</td>
<td></td>
</tr>
<tr>
<td>3. Poverty oriented</td>
<td>Eradication of poverty</td>
<td>Rise in PCI of the poor</td>
<td>Traditional (Rural) and urban informal sector.</td>
</tr>
<tr>
<td>4. Basic-need oriented</td>
<td>Improvement in living conditions</td>
<td>Minimum standard of living</td>
<td>Household below minimum standard of living</td>
</tr>
</tbody>
</table>

From the failures of the past it is important to observe that all development strategies were narrowly technical or economic but not sufficiently broad-based and value-determined to neutralise conflicts in the socio-institutional matrix.

3.6 INDIAN SCENARIO:

After the colonial era, with independence, planning as a method of "conscious direction of development process" became not only a necessity but the only safer technique.
of optimising the use of scarce resources for India in order to attain its objectively determined goals for rapid economic development. In order to make the political independence really meaningful and lasting the economic foundation had to be greatly strengthened by rebuilding its disrupted rural economy and by restructuring the slender industrial base created by the colonial 'suction mechanism'. The partition of the country uprooted millions of people and dislocated its economic life. The productivity in agriculture and industry stood at a very low level. There were widespread poverty and pent-up needs in the country. Laying the foundation of industrialisation and scientific progress and expanding education and other social services were basic-needs for the economy. All these imperatives called for planning on a national scale, encompassing all aspects of economic and social life for efforts to mobilise resources, to determine priorities and goals and to create a widespread outlook for change and technological advancement; under which "the major investments are presumably determined as a policy decision of the Government and not as the result of market forces." The rationale behind Indian planning was to mobilise resources according to the predetermined priorities in order to achieve a "proportionate and continuous growth of the national economy."

Development Planning in the initial years raised high expectations and generated tremendous enthusiasm. The pro
pronouncements of planners and politicians gave an impression that independent India’s economic set up would show radical
departures from the past. In retrospect it is clear that nothing of that kind has happened either when independence
achieved or any time thereafter. British administration provided some of the requisites of capitalist transformation.
In effect post-independence economic policies have followed the capitalist path with an attempt to use state power to
moderate the capitalist propensities and if possible, to provide some socialist appearances. Planning has become
an integral part of the Indian economic system. But
unfortunately the planning which is one of Nehru’s greatest legacies to independent India has arrived at crossroads
today. The very idea of planning is in disrepute in certain quarters now-a-days. In spite of its several accomplish-
ments in many sectors and in many fronts that old enthusiasm does no longer persist. For over 4 decades of planning the
country has been struggling hard to extricate herself from the abysmal troughs of poverty and squalor and to emerge
out of the undulated terrain of lopsided growth and unequal distribution of wealth and income. Efforts through various

Five Year Plans have been afoot to rectify the limps and shrinks of the erstwhile pattern of colonial underdevelopment of the economy. In spite of massive investments undertaken in the wake of planning during such a long period, a large proportion of Indian population, living in rural villages is subject to grim conditions of poverty and unemployment each day being a hard struggle for survival.

The actual average growth rate achieved by the economy during last 45 years fall deplorably short of its warranted rate of growth. India’s economic status in the comity of nations has worsened during plan-period. An international comparison of its growth rate even with those of other developing countries gives an equally depressing picture.

Once Bhagwati remarks “It is now clear that India’s economic performance, while a definite improvement over that in the pre-independence period, is less than satisfactory whether one takes the capitalist index of growth rate of income or socialist indices of eradication of poverty and reduction of income inequality.”

Apart from the failure of Planning to create an autonomous self-propelling and dynamic economy, the slow growth in per capita income combined with the tremendous rise in the cost of living has tended to push many people down the poverty line. It has resulted in a

societal dychotomy: a few embarrassingly rich and a large majority desperately poor. As India's experience reveals, Planning does not appear to be a 'deus ex Machina' which would be relied upon to put an end to all socio-economic problems and to rectify the features of our backward agrarian economy. The persistence of gaps between targets and achievements leading to the non-fulfilment of several important objectives of planning has generated a stronger feeling of despondency and helplessness. The planning process itself has become more or less a routine, stale and prisoner of its own premises, a wishful thinking unable to cope with the changing realities. Indian planners still continue to harp on same old tunes despite their repeatedly proven irrelevance and ineffectiveness.

All this is not to dispense it or to uphold the views of anti-planners and capitalist class. As the planning has substantially failed to transform the backward agrarian economy into a rapidly growing one, it is clear that the strategy of economic development has basically gone wrong or that its execution has not been very perfect. Therefore, it is imperative to undertake a diagnostic probe into the realities of Indian plan-exercise.

24. Planning Commission, Govt. of India asserts, "We must face the fact that most important objective of planning have not been achieved, the most cherished goals seem to be as distant today as when we set out on the road to planned development"—Draft of Five Year Plan (1978-83), (1978), p. 2.

3.7 OVERVIEW OF FIVE YEAR PLAN:

The basic function of national planning Commission of India has remained unchanged and its planning has become little like a chameleon which has changed its colour, but not the structure. During the last four and half decades it has formulated eight five year plans and four annual plans. But the progress of the economy has not consistently uniform overtime and space.

The First Five Year Plan was prepared on a 'rush order' which did not present an explicit formulation of a strategy of planned development. It was no more than a conglomeration development programmes formulated earlier, which had to cope with the serious problems created by the partition. Its main aim was to rejuvenate the war-torn economy and lay down the foundation for rapid economic development and industrial advance in future. The planners were keen on producing a plan that would not only be sound in itself but would pave the way for more rapid strides in development at the next stage within the environment of price stability.

The Second Five Year Plan was 'ab initio' too large in terms of resources that could be mobilised in non-inflationary ways. It envisaged a socialistic pattern of development where the main objectives were: (1) rapid industrialisation through basic and heavy industries, (2) rise in national

income and living standard, (3) expansion of employment opportunities and (4) reduction of inequality in income and wealth. In order to meet these objectives the Second Plan proposed an explicit strategy of development. The most dominant element of this was to usher in a self-generating economy by building up economic and social overheads, exploration and development of minerals and promotion of key and Heavy industries. Many do appreciate the diversification of the industrial base, which it resulted. But it has inevitably made a relative neglect of agricultural sector. There is great substances in the criticism that the fortuitous increase in agricultural production towards the end of the First Plan gave a wrong impression to the planners that they could go ahead with industrialisation without paying any attention to the development of agriculture and rural economy, which are the real key stones of our economic arch. The need for technological break-through in agriculture was not appreciated until recently even.²⁷ Although the Second Plan brought into a number of industries, the state ownership was restricted almost exclusively to transport and to the production of producer goods, like steel, fertiliser, electricity, locomotives, machine tools and irrigational works etc. The production consumer goods remained almost entirely in the private hands. Centralised planning was applied to the former group and only indirect

²⁷. Thakur Op cit, p.10.
control to the later. This dichotomy may be useful under
certain circumstances, but in the Indian context, it was
a source of number of problems. In the first place the
surplus available for public investment is small since the
consumer goods industries which are relatively more surplus-
yielding are almost exclusively in the private sector. The
existence of a big private sector makes the national planning
rather unorganised and ineffective. In fact the era of
uneasy co-existence thereafter commenced.

The decade as a whole was one of modest growth. The
planners continue the investment emphasis on development
of heavy and capital goods industries in the Third Plan as
well. The accent on it was stronger than that of the Second
Plan, notwithstanding the balance of payment crisis, as a
logical sequel to the philosophy of self-reliance and self-
generating growth within a not-too-distant period. Also
one of its aim was to achieve self-sufficiency in food
grains and to raise agricultural production to meet the
requirement of industry and exports. But the concern for
food and agriculture was only verbal which was evident from
the small outlay allocated to this sector as well as from
the explicit reassertion of the earlier doctrine. It
equally stressed upon the reduction of economic inequality

and more even distribution of economic power, which is explicit in the statement: "The basic criterion for determining lines of advance must not be private profit but social gain and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increase in National Income and employment but also in greater equality in income and wealth. 31

During the first three plans India had a fair measure of success in pushing of public investment in basic industries and infrastructure. This strategy also helped the development of a diversified industrial complement in the private sector. Rate of capital formation was also pushed up. Gross domestic saving as a percentage of GDP (at 1960-1961 prices), which stood at around 10 per cent in 1954-55 grew to about 15 per cent in 1964-65. The record in regard to price stability during this period was not bad. Unfortunately these elements of success pulled a mask on some significant deficiencies which had been building up in the economy at a faster rate. The operative development strategy failed to appreciate the crucial role of agriculture. From plan to plan India had to increase her dependence on supplies of food and agricultural raw materials from abroad. Net imports of food grain increased from

31. Draft of Third Five Year Plan, Govt. of India, p.5.
12 million tonnes during the First Plan to 17 million tonnes during the Second Plan. The record of Third Plan was more dismal. Besides importing substantial quantity of jute and cotton during 1961-66, India had to import nearly 26 million tonnes of grains. During plan holidays India had to import about 25 million tonnes of food grains too. An equally glaring failure was the accentuation of unemployment problem. Balance of payment deficit were more than twice, as large as they were in 1965-66. Inflation had severely moulded the purchasing power of the rupee. Industrial production had become stagnant for a long period. Palliatives of earlier time were no longer available. The hard experience of 15 years of planning, reduce the goal of self-reliance to a farce.

Increasing destitution and unemployment made a mockery of the goal of socialistic pattern of society, which compelled the planner to do rethinking on the basic strategy, whether it was ill-founded. It was appreciated by them that agriculture and food economy can no longer be neglected and ought to receive greater attention in future. The strategy was then aimed at increased agricultural production and building of buffer stocks in order to stabilise food prices and general price level and resort to non-inflationary source of deficit financing. It was decided to reduce the dependence of foreign aid in course.

32. Such as concessional food supply, Foreign aid, pp. 1-480.
of fourth Five Year Plan. Fourth Plan, therefore, envisaged "some safeguards against the fluctuation of agricultural production as well as uncertainties of foreign aid." With a resolve to ameliorate rural poverty and to raise the living standard and economic status of the underprivileged, it reaffirmed the thematic aim of Indian planning:

"Planning should result in greater equality in income and wealth; that there should be progressive reduction of concentration of income, wealth and economic power and that the benefits of development should accrue more and more to the relatively less privileged class of society, whose economic and educational interests have to be promoted with special care." But unfortunately when the fourth Plan limped on to its end on March 1974, its promised objective of "acceleration of the tempo of development in condition of stability and reduced uncertainties" stood completely shattered. Nearly 3.7 and 4.8 million tonnes of cereal grains had to be imported in 1973 and 1974 respectively. The rate of growth of national Income during this plan was only marginally higher than the rate of population growth. Saving as a percentage of National Income took a big dip. The balance of trade deficit which stood at Rs.1784 million in 1969-70 went upto Rs.4377 million in 1973-74 and Rs.10770 million in 1974-75. This grim picture of stagnation, dependence and uncertainty at the end of fourth Plan was
partly a consequence of extraneous circumstances but more importantly of the faults and deficiency in the strategy of development planning.\(^3^4\)

In spite of a happy measure of industrial diversification the problem of rural poverty, unemployment and inequality had assumed alarming proportion in the end of fourth plan. The failure on the part of the planning to devise a realistic strategy of development, suited to the Indian economic conditions with high demographic rate, concentration of population in agriculture and low-income saving ratio created an awkward situation for the planners. In stead of making a new strategy of economic development they once again announced rededication of the Fifth Plan to the twin goal of removal of poverty and attainment of self-reliance. The GNP increased by 5.4% and per capital income by 3.7%. The agricultural performance was equally satisfactory. But the implicit emphasis on industry dominates over agriculture. The total public sector outlay in irrigation decreased from 8.1% to 7.2 whereas for industry it increased from 18.3% to 24% during 4th and 5th Five Year Plan.

Similarly the Sixth Plan (1979-84) was formulated against the background of a perspective, covering a period of 15 years (1981-95) taking into account the achievements and shortcomings of the past three decades of economic

\(^{34}\) Minhas (1976), p.185.
planning. It clearly admits that the performance of the economy in many fronts has been far from satisfactory so far. This plan aimed at a continuous movement of the economy towards the desired goals: growth, poverty eradication and self-reliance. Besides these, it had several other important objectives:

1. reducing inequality, unemployment, regional imbalances, and population growth.
2. raising productivity and efficiency in the resource use, quality of life and indigenous energy sources.
3. Promoting active involvement of all sections of people in the development process.
4. bringing harmony between the short-run and long-run goals.

The plan had outlined a detail framework of policies and strategies in order to guide the plan activities. It proposed to tackle the problem of poverty by providing many poverty alleviation programmes, which would operate mainly by way of transferring assets and skills (IRDP etc.) or by providing employment in the slack season (NREP etc.) to the weaker section of people. It aimed at achieving higher agricultural as well as industrial output and reducing the bottlenecks in critical sectors, like power and transport. Realising that in the past the public distribution system functioned mainly in urban centres, the Planning Commission

35. Draft of Sixth Five Year Plan, Govt. of India, p.4.
to cover all areas of the country.

The Seventh Plan (1985-90) had to consolidate the gains of the past investment spread over three and half decades of planning and to launch the country on the path to further development, geared to equity, removal of deprivation and poverty and a tangible rise in levels of social welfare and social consumption, especially of the disadvantaged sections of the population. The strategy for this purpose was built on the basis of an emphasis on food, work and productivity. The salient features of Seventh Plan were:

(i) Decentralisation of planning and full public participation in the development process.
(ii) The maximum possible generation of productive employment.
(iii) Alleviation of poverty and a reduction in inter-class, inter-regional and rural-urban disparities.
(iv) Higher level of social consumption, particularly in education, health, nutrition, housing etc.
(v) A reduction in the infrastructural bottlenecks.
(vi) Integration of science and technology into the mainstream of development planning.
(vii) Conservation of energy, ecology and environment.

In the Seventh Plan, in stead of relying on general economic growth for raising employment opportunities without any special effort to give employment orientation to the growth, it become necessary to treat employment as a direct focal point of policy. However, employment can be sustained
only if it is productive and adds to output and income on a continuous basis. Hence the strategy of the Seventh Plan was to generate productive employment through increases in cropping intensity and the extension of new agricultural technologies to low productive regions and to small farmers, through various measures and to make the rural development programmes more effective in creation of productive assets.

The Seventh Plan has been the most successful among the Five Year Plans as the physical targets for the core sectors are largely realised and an average growth rate of 5.5% in GNP is achieved. The actual growth of power generation increased to 22,310 MW as against the targeted capacity of 22,245 MW. Coal raisings fall short of the targeted 220 million tonnes due to transport bottlenecks. Steel production has increased due to better utilisation of plan capacity, but due to brisker demand there was a gap of two million tonnes which was bridged with imports. The performance of the Railways has been noteworthy with originating freight traffic nearly the target of 340 million tonnes. The performance in the agricultural sector was very much disappointing in 1985-88. However, with a jump in the yield of cash and food crops in 1989-90, the revised target of 173-175 million tonnes have been realised. However, the increase in total plan outlay to Rs.225,000 crores from the original estimate of Rs.180,000 crores has necessitated heavier doses of deficit financing. The total deficit
financing for 1985-90 stood at the level as high as Rs.35,000 crores against the plan estimate of Rs.14,000 crores. The foreign exchange position of the country has sunk to low levels and the trade gap continues to widen. The anticipated internal resources have not been available and the central and state governments and public sector enterprises have had to borrow heavily through loans and bonds.

The eighth plan (1992-97) has been launched at a time of momentous changes in the world and in India. The global wave of changes has not left India untouched. The eighth plan has been formulated in the face of these changes. It is a plan for managing with the changes, for making the transition from centrally planned economy to market led economy without tearing country's the socio-cultural fabric. With the ultimate goal of achieving human development, the eighth plan has accorded priority to:

1. generation of adequate employment
2. containment of population growth
3. complete eradication of illiteracy
4. provision of primary health care and drinking water in the villages
5. Growth and diversification of agriculture.
6. Strengthening the infrastructure (irrigation, energy, transport, communication).

The plan has to meet challenges in the various sectors against the background of certain critical imbalances such as fiscal and budgetary deficits, mounting public debt, deficit in balance of payments and inflationary pressure. The new economic policy of the government is to workout the ways and means of involving people in developmental tasks and social evolution. The process of central planning will be largely indicative. Planning and market mechanism should be so dovetailed that one is complementary to the other. Market mechanism is to serve as an "efficiency promoting device" while planning will be the larger guiding force, keeping the longterm social goals in the perspective.

3.8 LEGACY OF PLAN DECADES:

The Indian planning experiment in a mixed economy was lauded nationally as well as internationally. It was novel in the context of a newly independent democratic nation. Those who believed in the welfare state as an answer to the problems of capitalism found in the Indian Planning an alternative to the communist experiment in neighbouring China. While the Russian Gosplan served as an inspiration to Pandit Nehru our planning proceeded along uniquely pragmatic lines. Nonetheless, different scholars have influenced the approach to planning and strategy of development at different periods of time. The first plan relied on the Harrod-Domar model, the Second plan on the
Mahalanobis model which was notable for its emphasis on capital goods in the context of a closed economy, the Third Plan stressed the importance of international trade under the influence of Ragnar Frisch and J. Sandes and subsequent Plans followed progressive refinements of Leontiff's input-output model. The pedagogical foundation of Indian Planning are noteworthy lest an impression prevail that it was based on political whims and fancies. Furthermore, Indian Planning has been a total exercise where the interdependence of agriculture industry, services, education etc. has all along been recognised.

The per capita income at 1980-81 prices has increased from Rs.1127 to 2216 during the period 1950-51 to 1992-93. Its index has increased to 197. The index of industrial production and agricultural production have increased to 212 and 196 respectively. Food grain production has increased from 50.8 million tonnes to 167.1. The consumer price index (1982=100) has increased to 219 over the same period.

The estimation of Central Statistical Organisation reveals that growth rates have registered a steady rise from the Third Five Year Plan onwards (Table 3.7). Annual compound growth rate of GNP and NNP at 1980-81 prices is

37. See Appendix Table A.3.7 p.
Table - 3.7: Annual Compound growth rates of GNP and NNP.

<table>
<thead>
<tr>
<th>Five year Plans</th>
<th>GNP at factor cost (prices)</th>
<th>NNP at factor cost (prices)</th>
<th>Per capita NNP (prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current 80-81</td>
<td>Current 80-81</td>
<td>Current 80-81</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>First Plan (1951-56)</td>
<td>1.7</td>
<td>3.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>9.4</td>
<td>411</td>
<td>9.2</td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>9.5</td>
<td>2.7</td>
<td>9.3</td>
</tr>
<tr>
<td>Annual Plan (1966-69)</td>
<td>12.1</td>
<td>3.9</td>
<td>12.1</td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>10.9</td>
<td>3.4</td>
<td>10.8</td>
</tr>
<tr>
<td>Fifth Plan (1974-79)</td>
<td>10.6</td>
<td>5.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Annual Plan (1979-80)</td>
<td>9.5</td>
<td>-4.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>15.1</td>
<td>5.5</td>
<td>14.9</td>
</tr>
<tr>
<td>Seventh Plan (1985-90)</td>
<td>14.1</td>
<td>5.6</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Source: (1) C.S.O., Govt. of India.

5.6% during Seventh Plan. The growth rate of per capita NNP at 1980-81 prices has, however, increased very inconsistently. During Seventh Plan it is only 3.3%.

Though in the industrial production front, the achievement has been quite satisfactory, in the industrial employment front the trend is not at all satisfactory. The annual average growth rate of industrial production has remained at 7.55 as compared to 7.27 during the first plan. On the
Table - 3.8: Industrial Production and Employment.

<table>
<thead>
<tr>
<th>Period</th>
<th>Annual Average Growth</th>
<th>Production Elasticity of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1951-56</td>
<td>7.27</td>
<td>5.16</td>
</tr>
<tr>
<td>1956-61</td>
<td>13.33</td>
<td>8.50</td>
</tr>
<tr>
<td>1971-79</td>
<td>4.71</td>
<td>2.86</td>
</tr>
<tr>
<td>1980-87</td>
<td>7.55</td>
<td>1.87</td>
</tr>
</tbody>
</table>

contrary, the annual average growth rate of industrial employment has significantly declined from 8.50 (during 2nd Plan) to 1.87 during eighties (Table 3.8). The elasticity of employment during the entire Plan period has consistently fallen. It has decreased from 0.71 to 0.25 during the period.

Table - 3.9: Composition of Public Sector and Private Sector in Indian Economy.

| Five year Plans | Investment (in Crores r.) | Private Gross domestic saving as % of GDP | Public Private Total investment as % of sector sector%
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public %</td>
<td>Private %</td>
<td>Total</td>
</tr>
<tr>
<td>First plan</td>
<td>46.40</td>
<td>53.57</td>
<td>3360</td>
</tr>
<tr>
<td>Second plan</td>
<td>54.61</td>
<td>45.39</td>
<td>6831</td>
</tr>
<tr>
<td>Third plan</td>
<td>63.65</td>
<td>36.35</td>
<td>11280</td>
</tr>
<tr>
<td>Fourth plan</td>
<td>60.32</td>
<td>39.68</td>
<td>22635</td>
</tr>
<tr>
<td>Fifth plan</td>
<td>57.57</td>
<td>42.43</td>
<td>63751</td>
</tr>
<tr>
<td>Sixth plan</td>
<td>52.92</td>
<td>47.08</td>
<td>158710</td>
</tr>
<tr>
<td>Seventh plan</td>
<td>47.83</td>
<td>52.17</td>
<td>322366</td>
</tr>
<tr>
<td>Eighth plan</td>
<td>45.24</td>
<td>54.76</td>
<td>798000</td>
</tr>
</tbody>
</table>

An accommodation to economic circumstances has been a central theme of Indian Planning over the long haul. This is a tribute to the pragmatism of the Planners. The industrial policy resolution of 1956 laid down that the government would not merely restrict itself to infrastructural areas but also enter industrial scene. This policy resolution was in fact an accommodation to the vicious circle of a low propensity to save leading to a poor rate of capital formation. It gave rise to the nation that the 'commanding heights' of the economy should be with the public sector and that the concentration of "Power and Wealth" in the Private hands was socially undesirable. This outlook was reflected in a growing percentage of the total plan outlay going into the public sector right up to 1980. The state emerged both as the mobiliser of savings as well as an important investor and owner of capital. It also meant that this growing magnitude of public sector outlay was policy-driven and not market-driven. The market-driven portion was confined largely to the private sector and was determined by interest rates, return on capital, availability of institutional and bank finance and the share market. While private sector investment grew from Rs. 1800 crores in the First Plan to Rs. 437000 crores in the eighth Plan, its importance in the overall economy, in

38. Jalan Bimal (1991), India's Economic Crisis, Oxford Univ. Press, Delhi, p.22.
relation to the GDP continued to remain small (about 4%) upto the Fourth Plan, which subsequently increased to 12.7% in the eighth Plan (Table 3.9). In terms of contribution to GDP by the two sectors it is important to note that between 1980-81 and 1987-88, the public sector contributed 23.2 per cent and the private sector 76.6 per cent. Likewise the Gross Domestic Saving of the public sector as percentage of GDP was lower than that of the private sector in all the eight Plans.

In fact the importance of public sector can not be measured merely in terms of profits or losses. Its focus must necessarily be on creating a viable and robust infrastructure. It has largely succeeded at a time when the economic circumstances were least conducive to capital formation. We find however, a major shift between the earlier plans and the eighth plan. Investment outlays in the early plans were policy-oriented. They had to be so since the markets, per capita incomes, availability of savings etc. were unequal to the task of achieving the desired capital formation. Consequently the government resorted to various methods of forced saving and investment in order to jolt the economy forward. Once this process was set in motion it continued through the early plans tempered by politics, droughts, wars, inflation and so on but without any fundamental shift till the mid-80's. Thereafter a fresh
look was needed in the light of altered circumstances. The market forces had changed substantially. Over one hundred million consumers could be defined as the middle-class demanding a wide range of consumer goods (like TV sets, 2-wheelers and appliances). The multiplier-cum-accelerator effects of this were felt not only by the private and public sectors but more importantly by the service sector. In fact in the eighth Plan the ratio of public sector to private sector investment was reversed, i.e. 45.24 per cent in the public sector and 54.76 per cent in the private sector.

The changing economic circumstances have given rise to a number of policy changes. Public sector enterprises with a good track record have entered the capital market by floating non-convertible bonds. Towards the end of the Sixth Plan the joint sector concept came into being combining State ownership with the profit motive. The appointment of private industrialists on the Boards of public sector organisations in varying capacities is becoming more common place. The areas traditionally reserved for the public sector like power generation, telecommunication, oil exploration, refining of crude oil, defence production, construction of national highways, and bridges have been opened up to the private sector. Likewise, there are increasing instances of loss making public sector enterprises being offered to the private sector. In this background
"nationalisation" has become an outmoded word and its relevance is seen largely in the context of protecting employment of workers.

3.9 NEGLECT OF RURAL SECTOR:

In fact it is sadening to say that after a long span of Planning, with several tinkering of plan techniques, rural sector of Indian economy remained closer to the subsistence level and painfully sensitive to the vagaries of monsoon and other natural calamities. The primacy accorded to capital accumulation by the state in the early years of planning meant a relative neglect of public investment in agriculture. This relative neglect was supported by the prevailing view that a growing labour force in India could only be absorbed in industry. The decline in farm productivity in India was largely attributable to outdated techniques and implements and lack of investible funds for procurement of adequate inputs like high quality seeds, fertilisers, pesticides, pumps and for building irrigation projects. The ratio of rural population dependent on agriculture to the total population has more or less remained unchanged at about 70%, the proportion of value added in agriculture at current prices has remained constant at 49% and the proportion of

39. The Second and Third Plan outlays on agriculture were 11.3% and 14% respectively see Appendix Table Rostow WW(1960),p.23.
real value added in wage goods to total net domestic product has not altered. In spite of industrial growth and expansion of the tertiary sector, there has been no perceptible changes in the structure of the national economy. The growth rates of the economy has not only been woefully low, it has also been declining over time. The growth rates of value added in various sectors of the economy has declined. The annual compound growth rates of GNP and NNP at factor cost (1980-81 prices) has remained at the level of 5.6% and 3.3% respectively (Table 3.7). Despite several planned achievements there has been the persistence of a large-lagging primary sector, a slender and slow-moving industrial sector and a bloated, largely non-functional tertiary sector.

The agricultural development is crucial to sustainable egalitarian development of India. It was forgotten that an environment of rising real income in agriculture rooted in increased productivity may be an important stimulus for take off of modern industrial sector. But unfortunately in all the Indian economic planning there is tendency of rural neglect and urban bias. The plan outlay for agriculture and rural development has increased from Rs.290 crores to Rs.63643 crores from first plan to eighth plan (Table 3.10). But the percentage of total plan outlay

41. Upal(ed) (1984), p.24, also see Appendix Table A3.7.
42. Brahmananda (1979), p.2-5.
43. Ghosh Arun (1992), Chap.4, p.58.
Table 3.10 Plan outlay for Agriculture and Rural development in India.

<table>
<thead>
<tr>
<th>Five Rural Dev. year</th>
<th>Agrl. and Allied activities.</th>
<th>Irrigation and Flood control</th>
<th>Villages small (2+3+4)</th>
<th>Industries</th>
<th>Total plan outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>290(14.8)</td>
<td>434(22.2)</td>
<td>42(2.1)</td>
<td>766(39.0)</td>
<td>1960</td>
</tr>
<tr>
<td>II</td>
<td>549(11.8)</td>
<td>430(9.2)</td>
<td>187(4.0)</td>
<td>1166(24.9)</td>
<td>4672</td>
</tr>
<tr>
<td>III</td>
<td>1089(12.7)</td>
<td>665(7.8)</td>
<td>241(2.8)</td>
<td>1995(23.3)</td>
<td>8577</td>
</tr>
<tr>
<td>IV</td>
<td>2320(14.7)</td>
<td>1354(8.6)</td>
<td>243(1.5)</td>
<td>3917(24.8)</td>
<td>15779</td>
</tr>
<tr>
<td>V</td>
<td>5229(13.0)</td>
<td>3914(9.8)</td>
<td>611(1.5)</td>
<td>9754(14.3)</td>
<td>40087</td>
</tr>
<tr>
<td>VI</td>
<td>15200* (13.9)</td>
<td>10930(10.0)</td>
<td>1945(1.7)</td>
<td>28075(25.6)</td>
<td>109292</td>
</tr>
<tr>
<td>VII</td>
<td>31509* (14.4)</td>
<td>16590(7.5)</td>
<td>3249(1.4)</td>
<td>15348(23.4)</td>
<td>218730</td>
</tr>
<tr>
<td>VIII</td>
<td>63643* (14.6)</td>
<td>32525(7.4)</td>
<td>6334(1.4)</td>
<td>102502(23.6)</td>
<td>434100</td>
</tr>
</tbody>
</table>

Figures in parenthesis indicates percentages of the total outlay.

* Includes special area programmes.

Sources: 1) Economic survey (Various years), Govt. of India, Delhi.

2) Basic statistics 1993 CMIE, Bombay.

spent on it has remained near about 14% always. The percentage of total outlay on flood control always varies between 7% to 10% except in the first plan. Similarly the percentage of total plan outlay on village and small industries has remained only between 1% to 2%.
Growth of agricultural sector in GDP per annum has been very low and volatile too. It was negative during 1961-65. During the period 1985-90 it has remained at 3.59%. The incremental capital-output ratio has varied between 2.95 to 6.63 (1976-80) (Table 3.11). The rate of saving in the private sector varies between 8.6% to 18% during 1951-52 to 1989-90. The public sector outlay on agriculture has not significantly stepped up. Investment on major irrigation has increased from Rs.380 crores to Rs.11107 crores during all the seven plans (Table 3.12). Utilisation of irrigation potential has increased to 70.89 million hectares during seventh plan. Eighteen major and 29 medium irrigation projects are taken up during 7th plan. And 331 medium irrigation scheme were taken up in Vth plan in the country.

The introduction of new agricultural technology in the mid 1960s brought greatly increased harvests of wheat and rice. Unfortunately the green revolution has had some significant unanticipated negative side effect.\[^{45}\] It has tended no benefit the rich and large farmers in the country much more than the small and poor farmers. Fertiliser, pesticides, irrigation systems and new seeds all are very expensive for

\[^{45}\] The follow of green revolution, the American Nobel laureate, Dr. Norman Borlong has said that Green revolution was not meant to be the final solution for food problem. It was designed to give nations a breathing time of 20-30 years. Borlough disappointedly says this time has not been used by many nations to adopt effective measures to control their exploding population.
<table>
<thead>
<tr>
<th>Period</th>
<th>Growth in GDP</th>
<th>Share of Savings in GDP</th>
<th>Share of Agriculture in GDP</th>
<th>Rate of Savings in Agriculture</th>
<th>Rate of Savings in Rural Sector</th>
<th>Rate of Savings in Rural Sector</th>
<th>Rate of Savings in Total Sector</th>
<th>Rate of Savings in Total Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-55</td>
<td>3.61</td>
<td>54.91</td>
<td>2.88</td>
<td>10.66</td>
<td>2.95</td>
<td>1.68</td>
<td>8.60</td>
<td>10.25</td>
</tr>
<tr>
<td>1956-60</td>
<td>4.27</td>
<td>51.86</td>
<td>3.38</td>
<td>14.52</td>
<td>3.40</td>
<td>1.93</td>
<td>9.80</td>
<td>11.73</td>
</tr>
<tr>
<td>1961-65</td>
<td>2.84</td>
<td>46.61</td>
<td>-0.28</td>
<td>15.45</td>
<td>5.44</td>
<td>3.13</td>
<td>10.08</td>
<td>13.21</td>
</tr>
<tr>
<td>1966-70</td>
<td>4.66</td>
<td>43.73</td>
<td>5.36</td>
<td>15.99</td>
<td>3.43</td>
<td>2.40</td>
<td>11.98</td>
<td>14.38</td>
</tr>
<tr>
<td>1971-75</td>
<td>3.08</td>
<td>42.04</td>
<td>2.33</td>
<td>17.87</td>
<td>5.80</td>
<td>3.24</td>
<td>14.03</td>
<td>17.27</td>
</tr>
<tr>
<td>1981-85</td>
<td>5.86</td>
<td>36.48</td>
<td>3.16</td>
<td>20.98</td>
<td>4.15</td>
<td>3.65</td>
<td>15.71</td>
<td>19.36</td>
</tr>
<tr>
<td>1985-90</td>
<td>5.81</td>
<td>32.82</td>
<td>3.59</td>
<td>22.70</td>
<td>3.91</td>
<td>2.34</td>
<td>18.03</td>
<td>20.37</td>
</tr>
</tbody>
</table>

Source: 8th Five year Plan, Govt. of India, Delhi, 1992.

which the fig. farmers could afford or have access to credit to finance them. The exploitative Zamindari and similar land-tenure systems resulted in a major share of the income of tenant cultivators being appropriated by the landlord, leading to the impoverishment of the farmer and absence of incentives to increase agricultural productivity.\footnote{Kothari S S (1992), p.123.}
Table 3.12 Public Sector: Outlay for Agricultural Sector.

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Five Agri. All Investment in Irrignt., Irrign No. of New Potenti Irrigation co-op-eration</th>
<th>Major</th>
<th>Minor</th>
<th>Flood Total</th>
<th>control</th>
<th>utl schemes taken</th>
<th>lised (mn.ha) Major Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>238</td>
<td>2377</td>
<td>380</td>
<td>66</td>
<td>14</td>
<td>460</td>
</tr>
<tr>
<td>II</td>
<td>275</td>
<td>4800</td>
<td>380</td>
<td>161</td>
<td>49</td>
<td>590</td>
</tr>
<tr>
<td>III</td>
<td>591</td>
<td>8099</td>
<td>581</td>
<td>443</td>
<td>86</td>
<td>1110</td>
</tr>
<tr>
<td>IV</td>
<td>2059</td>
<td>15902</td>
<td>1237</td>
<td>1174</td>
<td>172</td>
<td>2583</td>
</tr>
<tr>
<td>V</td>
<td>3356</td>
<td>39322</td>
<td>2442</td>
<td>1411</td>
<td>299</td>
<td>4274</td>
</tr>
<tr>
<td>VI</td>
<td>6440</td>
<td>97500</td>
<td>7516</td>
<td>3240</td>
<td>596</td>
<td>11872</td>
</tr>
<tr>
<td>VII</td>
<td>10524</td>
<td>180000</td>
<td>11107</td>
<td>6427</td>
<td>942</td>
<td>19903</td>
</tr>
</tbody>
</table>

a = includes an additional investment on CAD (Command Area Development)
b = Cummulative figures.


the policies benefited modern rich farmers and the interest of agricultural labourers and marginal farmers were never articulated and received any attention. Most of the agricultural labourers working on the farms are "attached

labourers which supports the contention that capitalist relations are prevalent in Indian agriculture. 48

3.10 STRATEGIC DEFICIENCY:

India's approach to development planning has so far been predominantly macro-oriented emphasising national goals and priorities. This has reduced planning to a set of sterile exercises where the plans and programmes are formulated mechanically without considering resource base, development potential and needs and aspirations of people at the grass roots. There are major differences between official pronouncements and actual policies followed leading to much confusion and frustration. 49 Also the requisite degree of people's participation in the formulation and implementation of development programmes has not been sought seriously. Decentralisation is therefore, needed to make plans realistic and to permit wider involvement of people in the process of planning.

The growth euphoria had provided the basis for the expectation that increase in output would ensure a 'trickle down' sharing of benefit for all. But the expected benign fall-out did not materialise in India. During the Second development decade "poverty profile" dethroned the GNP as

the centre piece of development strategy. Unfortunately both have been marred by a lack of correct understanding about the relationship between under-development and development on the one hand and between under-development and poverty on the other, because of the failure to approach the phenomenon of poverty and backwardness historically. Poverty is not an isolated phenomenon. Behind it there lies complex economic process comprising a set of economic activities which have both space and time dimensions.  

The perpetuation of poverty and other problems revealed a number of weaknesses of the development strategy adopted by the planners. Firstly the most unfortunate consequence of India's adherence to all growth oriented strategy has been appalling neglect of agriculture and rural development. Secondly centralised planning is still viewed as the correct path to follow despite frequent and increasingly detailed account of their negligible effect. Decentralisation is widely in suspicion; but clearly this is not an economic debate. There are powerful political reasons for strengthening the centralisation process more. In reality the centralised planning has failed to grapple with some of the more pertinacious problems of the economy. It has created a set of highly standardised procedures, in its attempt to cope with the uncertainties, without thoroughly understanding the local, social, economic, physical and organisational

conditions of the remote villages, eventually causing poor performance of planned schemes. The strategy of rural development lacks both cohesion and drive. The adhoc nature of the programmes and lack of integrated character of the area development schemes under many sub-plans are the main limitations. The identification process of the target group is woefully faulty in as much as a large number of non-poor and privileged class avail the benefits. The specific problems and needs of the rural poor are not properly reflected in the project formulation. The benefits of all welfare measures have not filtered down to the majority, but have remained concentrated in the hands of a few in the modern sector. The social, political and economic sub-system are so strongly interlocked that the rural poor remain outside the enclosure, which is strongly biased in favour of the rich elite class.\(^5\) The institutional and organisational arrangements howsoever democratic it may be has turned out to be oligopolistic in nature, in which the entry of the rural poor is highly restricted.

The failure of the so-called 'trickle down' effect strategy in reducing poverty led to the adoption of target group approach from the fourth plan. There were lot of

---

specific schemes like IRDP, DPAP, NREP, SFDA, RLEG, MNP etc. Many special sub-plans were also launched for tribal upliftment. It is observed from our long experience that apart from the strategic deficiencies a common thread of all of them is that the funds allocated for each of these schemes has been extremely meagre. Many of these special schemes were mere palliatives that failed to tackle the root of the problem of backwardness. What seems to be missing in the recognition that most backward areas have a potential for growth which can be tapped, if certain special initiatives are taken. Besides this, execution of plan suffers as the plan formulation fails to take adequate notice of the course of action through which the targets should be realised. Flaws in implementation are too often responsible for poor performance of the rural development programmes. Inadequate planning results in ineffective implementation. There is nothing like good plan but bad implementation. In fact they go together.

3.11 DYSFUNCTIONAL URBANISATION:

The process of urbanisation in India has been essentially constrained by anaemic agricultural base and disarticulated process of industrialisation. India's urban process is largely non-functional and characterised by a bloated

tertiary sector. The inherited technological dualism had its inevitable manifestation in the space, in the form of a dual economy—rural and urban. The urbanisation process in India through its planning has an inherent tendency to agglomerate in few urban centres. All kinds of economic activity tend to concentrate only in big cities; it becomes easier to add than to locate elsewhere. The outcome of India's urban growth is very much regressive and inequitable. The high degree of urbanisation inflicts its cost unevenly across the income groups. The cities receive high quality public services from the developed tertiary sector than do the rural villages. Subsidies per urban household for public goods are substantially larger than for rural households. The inequality in consumption and income is more sharpened in India than the western world at similar level of income. Balanced regional development has been severely emphasised, as it is seen in planning commission's note, "it seeks to rebuild rural India, to lay the foundation of industrial progress and to secure the greatest extent feasible opportunities for weaker and under-privileged section of our people and balanced development of all parts of the country."


54. See Mohan R.(1982), Effects of population growth on pattern of Demand of technology on the process of urbanisation, World Bank Stop. 520.

55. Draft of Second Five Year Plan, Govt. of India, p.3.
But it is disappointing to note that the policies required for establishing such a balance were not pursued in a consistent analytical frame. The urban bias take several forms. Prices of food grains are deliberately depressed for the sake of cheaper supplies to urban organised class in the name of 'price-stability'. Agricultural wages are kept low, while the industrial workers continue to get rising wages. It is the power shortage in the urban sector which is drummed up but the power or water shortage in the agricultural sector never gets to the fore. In the name of tourism promotion huge resources are poured into building up new luxurious hotels and the development of Five Star Culture'. This rural urban conundrum is bound to cause further accentuation of inequality and class conflicts.\(^{56}\) In this rapid process of urbanisation, frictions and maladjustments occur which ultimately affects the efficiency and equity of the outcome adversely.\(^{57}\)

The rapidly changing pattern of urban settlement has created many major kinds of imbalances between rural and urban sectors, between levels of development of different regions, between the cities of different sizes and between intra-city social groups. Making provision of essential urban services like housing, water, sewerage, sanitations, health care, electricity etc. is really a gargaritum task

---

by any measure. None of the Indian cities are prepared for  
the large absolute influx of migrants that seeks jobs and  
living space in the urban centre. In fact the massive  
influx has put the civil services on the brink. A  
sizeable proportion of urban population is starving and  
seeking jobs in the urban informal sector due to the low  
absorption capacity of cities. The condition of cities are  
extremely appaling. Instead of becoming engines of develop­  
ment, cities are decaying and heading for a total brakedown.  
Millions of urban people live in unsanitary slums, squatter  
settlements, crowded footpaths, pavements, railway stations,  
bus stands and corridors of schools and temples. Man and  
animal live alike. Human excreta floats around the clogged  
open drains, rats and ragpickers scurry around in reeking  
garbage piles, pigs roll in the slush, queues around public  
water taps stretch for miles and at right people lie littered  
around in the corners with torn tarpaulines as roofs and  
newspapers as blankets, gunny sacks as doors to beat the heat  
of summer and cold of winter.

3.12 CONCENTRATED INDUSTRIALISATION:

Since the second plan, the planners have relied heavily  
on industrialisation as the king-pin in its their strategy  
for economic growth; while the achievements in absolute  
terms appear to be impressive, in the perspective they are
What is worse is that the edge of that pin has blunted since sometime. Lesser foreign aid, high rate of inflation, poor contribution of agriculture to resource mobilisation and increased unproductive expenditure during the period since mid-sixties affected adverse overall rate of investment in the economy. This position is reflected in its inevitable consequences of slackening in the rates of growth of industrial investment and production during post Third Plan period. The objectives such as prevention of concentration of economic power in the private hands, reduction of regional imbalance and promotion of small industries have come to receive more emphasis than before. However, abating concentration of economic power has not made any significant progress. There are about 75 to 100 big industrial houses which still continue to dominate the industrial scene of the country. These houses closely resemble each other in their origin and social, economic and political power exercised by them. They own and control multiple firms transacting in different, often technically unrelated markets. The monopoly commission itself felt incapacitated owing to the complacent attitude of the government. The damage done by the liberalised policy of the


59. The evidences cited in this context relates to the nationalisation of commercial banks in 1969, The MRTP Act 1969, the MRT Commission of 1970, Nationalisation of non-life insurance business etc.
Government is always #ftbrraous. This has led to investment propositions entirely decided by the private entrepreneurs without any consideration for priorities. As a result there has been a gradual shift in investment in favour of commodities which have relatively less social priority. Emphasis has been shifted from self-reliance to globalisation during these 4 decades of Industrialisation in India. Industrial scenario of India can be identified by three successive phases:

1) Industrial growth with regulation (1950-65)
2) Industrial slow-down (1965-74), and

It has been observed that, given the ascendancy of corporate priorities in policy making, the domination of the central government over regional economic affairs, and the decline of the philosophy of socio-economic justice, the Indian economy has become ensnared in an external debt crisis coupled with widespread unemployment.

Aboveall, the industrialisation in India continues to be inefficient, disarticulated and regionally concentrated in an around few urban conurbation. The growth impulses generated through the market mechanism at these nodes get impounded mostly within the urban limits instead of being diffused to the neighbourhood. The growth of large

industries in few urban centres has accentuated hiatus between the rural and urban sectors. They need skilled manpower which the rural sector can not provide and they produce such goods which the rural bulk do not consume. Whither socialistic society.

The public sector has considerably enlarged and has covered strategic areas of production. However, these enterprises have not succeeded when estimated in terms of the jargon of a financial analyst. Huge outlays have been accompanied by extremely low returns and in several cases losses have been persistently accumulating. There has been a continuous underutilisation of the installed capacity, which implies a criminal waste of scanty resources, whatever may be the reasons. 61 The industrial scene has been poised by frequent labour unrests, sickness, low productivity and high absentism. All this has further worsened the resources situation and the low profitability of the public sector units has compelled them to keep looking the budgetary resources in order to finance their expansion plans even amidst severe losses. As revealed by several studies, 62 The production targets themselves through the plans were fixed without any systematic attention to costs and benefits. The actual production diverges either way from planned

production and actual capacity installed diverges either way from the planned capacity and also from licensed capacity. These indicate serious deficiency in the administration of licensing and other related policies. Thus it can not be said that planning has succeeded in avoiding wastes of economic resources or bringing more socially rational intervention.

3.13 LOOKING AHEAD:

In the process of accepting instant developmentalism, we have fallen into the subtle but dangerous habit of relying on remedies without diagnosing our disease. The transplantation of growth models without paying proper attention to our resource-base, imperatives of our socio-economic setting, institutional and structural characteristics can never be expected to reduce poverty and inequality, nor can ensure an self-propelling development process. It is really a bad reflection on the plan strategy that inspite of her rich natural resource endowment and a bold resource mobilisation effort for raising massive investment outlays under various Five Year Plans India is today being categorised among the worst poverty-stricken nations of the world. Poverty is not only disgusting and frivolous but also blasphemous. The main reason for the paradox of poverty lies in the deficient development strategy adopted by the planners and the administrators. Hence the strategy for the future
should be drastically modified and the pitfalls into which the strategy landed the economy in the past have to be carefully ruled out. The growth oriented model of development has now become a strangehold, so the planners have to recast it with a close look at the beam with the Indian eye. It is high time for India to resurrect serious planning. It will not be able to meet the basic needs of the masses within a generation if the present status-quo development policies are continued in illusion. The past and current plan and policies have concentrated excessively on the modern sector at the expense of increased production and income with traditional rural and informal urban sector where the majority eke out a living. This development route will lead to utter disaster.63

Therefore, the new integrated growth strategy for succeeding plans has to be so formulated that it will make a substantial dent in country's deep seated and chronic problems of sluggish growth, poverty, inequality, unemployment, under-employment and backward countryside. It will have to bring the large majority of people residing in the remote villages into the Vortex of economic development. It has to appreciate that the development of sizeable surplus in the agricultural sector is sine quo none for further industrialisation in India. A 'big push effort' for

agricultural modernisation and rural transformation through the establishment of a host of agro-based industries constitute the real panacea for the myriad social and economic ills which afflict the national economy in general and rural economy in particular. Fortunately this is the only practical way in which the level of living of the vast majority can be raised and the problem of unemployment and underemployment can be tackled. The relevance of this route for a self reliant development should have been clear long ago. For a long term steady process of development the basic parameters of the rural economy have to be geared through the process of decentralisation which can only illustrate the local needs and priorities. Decentralised spatial planning can give a top priority on the diversification of rural industrial sector at this juncture of urban decay and industrial stagnation. It can transfuse modern industries into the life of common people by optimising utilisation of local skills and resources. The emphasis on rural industrial programme will have to be not so much on rehabilitation of industries based on traditional craft and art but on a wider range of agro-based industries, using modern technology which while being efficient are nevertheless labour-intensive. The advantage of such industries is that

64. Das (1984), Decentralisation in developing countries, paper presented at Advanced Summer Institute in Regional Science, held at UNIVERSITY OF BAMBERG, West Germany; also see Das (1989) Southern Economist, vol.28(1), Annual, New Delhi.
they can provide gainful employment locally to a large number of rural folk and could constitute an excellent remedy for seasonal unemployment, since their maximum demand for labour and peak operation occur just immediately after the harvesting season. Islands of industrial development could be built in rural areas at some centres to act as the 'catalyst point' where the prerequisite infrastructure including power, skill, transport etc. exist, which can transmit influences to the interior villages and thereby pave the way for their socio-economic transformation. The planners have to show the proper path and encouragement by evolving various schemes of subsidy and taxation for making this 'big push effort' effective.

The development is not a process which can be triggered by outside agencies. It has to emerge from within so Micro-Spatial planning is the only tool for unfolding the latent energy of rural economy. Poverty-stricken people have to be rehabilitated in their own natural setting by enabling them to develop their skills and potentiality with which they will find their own environment propitious for change. It warrants, therefore, a democratic decentralisation in the planning process, which can only be achieved through the active participation of poor people and the involvement of local institutions. The rural development programmes have to be structured and operated by the beneficiaries
themselves. Giving them the maximum responsibility for its running and creating rural-oriented and rural based voluntary organisations to become the instrument of development can go together to provide a firm basis for a new and relevant development strategy that ultimately permits sustained growth and ensures that its benefits profoundly percolates to the rural unprivileged class. It can ensure internal consistency, spatial, sectoral as well as an operational balance. It can also promote a type of 'social synergy' which is the most significant factor to ensure a 'virtuous circle of prosperity', where all favourable interacting forces operate in one direction to raise the economy to a pinnacle. With this strategy, growth with social justice will increasingly become a reality only.